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C O N F I D E N T I A L STATE 252040

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TAGS: AORG, ABUD, OECD

SUBJECT: 1975 PROGRAM OF WORK AND BUDGET

FOLLOWING IS A REPEAT OF STATE 252040 DATED 15 NOV 1974

QUOTE

P 150107Z NOV'74

FM ,ECSTATE WASHDC

TO US MISSION OECD PARIS PRIORITY

REFS: (A) C(74)175, (B) OECD PARIS 23508,
-- (C) OECD PARIS 25621, (D) STATE 233669

1. THE FOLLOWING REPRESENTS OUR CONSIDERED VIEWS ON THE
1975 PROPOSED PROGRAM OF WORK AND BUDGET OF OECD (REF A).

2. IN MEETINGS OF BUDGET COMMITTEE, EXECUTIVE COMMITTEE,
AND COUNCIL YOU SHOULD MAKE CLEAR THAT AT TIME OF BUDGET
STRINGENCY, GROWING UNEMPLOYMENT, AND DECREASE IN THE REAL
WAGES AND SALARIES OF MANY PRIVATE AND GOVERNMENT SECTOR
WORKERS IN SOME OECD MEMBER COUNTRIES, WE BELIEVE THERE
SHOULD GENERALLY BE NO INCREASE IN REAL RESOURCES UTILIZED
BY THE OECD IN 1975, AND POSSIBLY A SMALL REAL DECREASE

(WHILE THE BUDGET WOULD OF COURSE CONTINUE TO RISE IN
NOMINAL TERMS.) ALTHOUGH WE PROPOSE SOME MODIFICATIONS
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OR DELETIONS OF PROGRAMS, IN GENERAL WE BELIEVE MOST OF

THIS SHOULD BE ACCOMPLISHED NOT RPT NOT BY A DECREASE IN WORK PROGRAMS OR ACTIVITIES BUT IN STAFF SALARIES.

3. STAFF SALARIES

A. DEPARTMENT BELIEVES IT IS ESSENTIAL TO COME TO GRIPS WITH THE ESCALATION OF OECD STAFF SALARIES. A CONSIDERABLE PORTION OF THE INCREASE IN THE BUDGET AS DESCRIBED REF (A) IS ANTICIPATED INCREASE IN SALARIES OF EXISTING STAFF. WE UNDERSTAND SALARY INCREASES ANTICIPATED UNDER THE COORDINATING COMMITTEE OF GOVERNMENT BUDGET EXPERTS (CCG) REVIEW PROCEDURES ARE OF TWO KINDS: FIRST, A QUOTE STANDARD OF LIVING UNQUOTE INCREASE, DESIGNED TO REFLECT INCREASES IN THE PRODUCTIVITY OF ECONOMIES OF MEMBER COUNTRIES; AND SECOND A QUOTE COST OF LIVING UNQUOTE INCREASE, DESIGNED TO INCREASE SALARIES BY THE QUOTE FULL CHANGE UNQUOTE IN THE COST OF LIVING AS REFLECTED BY INCREASES IN PRICE INDICES. THE SECOND INCREASE WILL BE LARGER BY FAR THAN THE FIRST.

B. WE ARE OPPOSED TO THESE SALARY INCREASES FOR THREE REASONS. THE FIRST IS THE POOR STATE OF THE ECONOMIES OF SOME OECD MEMBERS CITED PARA 2 ABOVE AND THE RESULTING BUDGETARY RESTRAINTS UNDER WHICH THEY CURRENTLY MUST OPERATE. A SECOND, RELATED REASON IS THE EFFECT THAT LARGE INCREASES IN OECD AND OTHER CCG SALARIES HAVE ON OUR EFFORTS TO HOLD DOWN SALARY INCREASES IN OTHER INTERNATIONAL ORGANIZATIONS. FOR EXAMPLE, INCREASES ALREADY GRANTED THE OECD STAFF IN PAST YEAR HAVE MADE MORE DIFFICULT OUR EFFORTS TO HOLD BACK SALARY INCREASES IN THE IMF-IBRD. US HAS STRONGLY SUPPORTED KILLING 6.5 PERCENT SUPPLEMENTARY RAISE REQUESTED BY THE BANK/FUND FOR THE COST OF LIVING INCREASES SINCE FEBRUARY, AND WE INTEND TO ADOPT SIMILAR HARD LINE IN OTHER INTERNATIONAL ORGANIZATIONS WHICH HAVE BENEFITED FROM SALARY ESCALATION. THE THIRD REASON IS THAT OECD STAFF SALARIES ALREADY APPEAR TO BE VERY HIGH BY ANY STANDARD AS THE RESULT OF RECENT LARGE INCREASES. FOR EXAMPLE OECD STAFF OFFICER (A LEVEL) SALARIES FOR A MARRIED HEAD OF HOUSEHOLD WITH TWO CHILDREN AS OF OCTOBER 13 RANGED FROM

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DOLLARS 15,000 TO OVER DOLLARS 46,000 TAX FREE; ASSUMING AN EFFECTIVE TAX RATE OF 15 TO 30 PERCENT, THIS REPRESENTS SALARIES ON A SCALE RANGING FROM ABOUT DOLLARS 17,000

TO OVER \$60,000 PER YEAR. TO PROPOSE FURTHER INCREASES IN SUCH HIGH STAFF SALARIES AT THIS TIME WHEN REAL WAGES AND SALARIES IN MANY MEMBER COUNTRIES ARE DECLINING IS INJUSTIFIABLE, ESPECIALLY GIVEN INCREASES IN STAFF

SALARIES OVER PAST YEAR WHICH ACCORDING TO OUR RECORDS ARE IN EXCESS OF 14 PERCENT.

C. YOU SHOULD THEREFORE OPPOSE ANY INCREASE IN SALARIES, ESPECIALLY OF A LEVEL OFFICERS, AT THIS TIME OR DURING 1975. WE RECOGNIZE THAT SUCH A COMPLETE HALT IN SALARY INCREASES WILL BE VERY HARD TO IMPOSE FOR A FULL YEAR, ESPECIALLY SINCE US HAS AGREED TO CCG PROCEDURES WHICH NOW CALL FOR THE INCREASES. NEVERTHELESS, IN CONSULTATION WITH YOUR COLLEAGUES FROM OTHER MISSIONS YOU SHOULD SEEK TO DELAY ANY INCREASES FOR AS LONG AS POSSIBLE, TO SEE THAT ANY INCREASES GRANTED DURING THE NEXT YEAR ARE AS SMALL AS POSSIBLE AND LESS THAN THE FULL RATE OF

INCREASE OF INFLATION, AND IF POSSIBLE TO SEE THAT INCREASES GRANTED -- IF ANY INCREASES MUST BE GRANTED -- ARE LIMITED TO LOWER PAID STAFF PERSONNEL RATHER THAN HIGHER PAID OFFICERS. IN ADDITION YOU SHOULD URGENTLY SEEK REVISION OF THE CCG PROCEDURES TO MAKE CLEAR WE DO NOT REPEAT NOT NECESSARILY AGREE WITH PRINCIPLE THAT SALARIES SHOULD INCREASE BY THE "FULL CHANGE" IN COST OF LIVING PRICE INDICES.

4. REDUCTION/ELIMINATION OF PROGRAMS

A. AS PART OF INTEGRATION OF POPULATION ACTIVITIES INTO THE REGULAR PROGRAMS OF THE DEVELOPMENT CENTER, YOU SHOULD CONTINUE TO SUPPORT ELIMINATION OF TWO FORMER SDD POSITIONS.

B. YOU MAY JOIN WITH AUSTRALIA IN SUPPORTING ABOLISHMENT OF THE PRESS REVIEW.

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C. TECHNICAL COOPERATION. WE CONTINUE TO BELIEVE THAT TECO SHOULD BE SELF-FINANCED BY BENEFICIARY COUNTRIES.

5. COMPOSITION OF PROGRAMS

A. RE PARA 4 REF C, YOU SHOULD CONTINUE TO PRESS FOR INTEGRATION OF POPULATION ACTIVITIES INTO REGULAR BUDGET. WE WILL NOT PROVIDE VOLUNTARY SUPPORT FOR SEPARATE POPULATION PROGRAM. FUTURE PROGRAM APPEARS LESS FOCUSED ON DIRECT CONSIDERATION OF POPULATION CONTROL AND MORE

EMPHASIS WILL BE ON MOTIVATIONAL FACTORS AND STATISTICS. WE BELIEVE THIS SHIFT SHOULD RENDER INTEGRATION ACCEPTABLE TO OTHER MEMBERS INCLUDING ITALY AND FRANCE. USAID MAY PROVIDE FUNDING SUPPORT ON A CASE BY CASE BASIS FOR

SPECIFIC PROJECTS OF THE DEVELOPMENT CENTER, INCLUDING POPULATION ACTIVITIES, OF PARTICULAR INTEREST TO THE US. HOWEVER, POPULATION RELATED ACTIVITIES SHOULD NOT BE SINGLED OUT TO REQUIRE COMPLETE FUNDING ON VOLUNTARY CONTRIBUTION BASIS. FROM THE STANDPOINT OF EFFICIENCY AND EFFECTIVENESS, WE BELIEVE INTEGRATION IS BOTH JUSTIFIABLE AND NECESSARY.

B. RE PROPOSED WORK PROGRAM FOR DEVELOPMENT CENTER
P. 335 REF (A), WE BELIEVE THERE IS LITTLE IF ANY WORK ARISING OUT OF THE WORLD POPULATION CENTER TO UNDERTAKE.

C. YOU SHOULD STRESS THAT THE DEVELOPMENT CENTER SHOULD NOT DUPLICATE THE DISSEMINATION/PUBLICATION EFFORTS OF OTHER ORGANIZATIONS DEALING WITH POPULATION MATTERS.

6. WHILE WE APPRECIATE THAT SECRETARIAT HAS SHIFTED SOME RESOURCES FROM EXISTING PROGRAMS TO NEW ENERGY PROGRAMS, WE ARE DISAPPOINTED THE SECRETARIAT ITSELF HAS NOT BEEN ABLE TO TAKE A HARDER LOOK AT THE COMPOSITION OF THE BUDGET. IT APPEARS TO CONTINUE PROGRAMS OF ONLY MARGINAL INTEREST OR BENEFIT TO MEMBERS WHICH, IF ELIMINATED OR REDUCED, COULD MAKE RESOURCES AVAILABLE FOR HIGHER PRIORITY PROGRAMS WITH NO INCREASE IN THE LEVEL OF AGGREGATE REAL RESOURCES. YOU SHOULD INDICATE WE HOPE THE SECRETARIAT WILL BE MORE FLEXIBLE BEGINNING
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NOW IN PLANNING PROGRAMS FOR 1975, SINCE WE WOULD EXPECT THAT BUDGET SITUATION WILL CONTINUE TO BE STRINGENT A YEAR FROM NOW. INGERSOLL UNQUOTE KISSINGER

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